

April 15, 1996

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street N.W., Room 222
Mail Stop Code 1170
Washington D.C. 20554

DOCKET FILE COPY ORIGINAL

**Re: PersonalConnect Communications, L.L.C.
Comment in WT Docket No. 96-59
Amendment of Part 20 and 24 of the Commission's Rules - Broadband
PCS Competitive Bidding and the Commercial Mobile Radio Service
("CMRS") Spectrum Cap**

Dear Mr. Caton:

PersonalConnect Communications, L.L.C. ("PersonalConnect"), submits the following comments to the Federal Communications Commission in response to its Notice of Proposed Rule Making concerning the auctioning of spectrum for Personal Communications Services, in the hope of furthering the Commission's goals of promoting small business, women and minority access to spectrum and the development of new consumer services using the spectrum.

PersonalConnect is 100% owned by the individuals who constituted the management of PersonalConnect Communications, Inc., which was an active participant as a Designated Entity in the C Block Auction. PersonalConnect is actively pursuing opportunities to provide new wireless services to businesses and individuals and expects to participate in the auctions for Blocks D, E and F.

1. Auction Blocks D, E and F Simultaneously.

PersonalConnect strongly supports the Commission's proposal to auction the F block together with the D and E blocks as a simultaneous multiple round auction. Auctioning the D, E and F blocks together in a single auction will provide Designated Entities with the opportunity to purchase 10 MHz blocks at fair market prices

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because during a simultaneous auction of D, E and F blocks, Designated Entities will be able to move back and forth among the blocks depending on the prices, with the result that there should be an equalizing of the prices for the same BTAs.

If simultaneous auctions are not conducted, we are likely to see significant differences in prices between the D and E Blocks, on the one hand, and the F block, on the other hand. This is precisely what occurred in the C Block Auction. PersonalConnect believes that the significantly higher prices that small businesses paid in the C Block Auction, as compared to the A and B Block Auction even after taking into account the Designated Entity's discounts and installment payment provisions, were the result of non-simultaneous auctions.

Any postponement of the F block auction until after the D and E auctions would place Designated Entities who purchase spectrum in the F auctions at a severe and possibly fatal disadvantage because of the delayed start for construction and operation of their systems.

2. Provide Designated Entities with Full Incentives for Blocks D, E and F, including the 25% Discount in the Purchase Price; Increase Down Payment to 25% and Reduce Period of Interest Only Payments to Four Years.

We also strongly support the Commission's proposal to provide the installment payment provisions to the Designated Entities for their purchases in the D, E and F blocks. We further recommend that Designated Entities be granted the full 25% discount for their purchases in all three blocks.

Providing incentives to Designated Entities in all spectrum blocks is essential to achieving the statutory objectives of 47 U.S.C. § 309 which include promoting economic opportunity and competition by "avoiding excessive concentration of licenses" and "disseminating licenses among a wide variety of applicants, including small businesses...." Otherwise, Designated Entities will be outbid for most licenses by larger telecommunications firms who can afford to pay higher prices because they can obtain the lowest cost financing available in the commercial markets and due to the licenses' strategic value vis a vis larger firms' other related businesses. Providing incentives to Designated Entities' in all blocks will also encourage these telecommunications companies to cooperate and form joint ventures with the Designated Entities, helping to ensure the competitive viability of the small business spectrum licensees.

Although the installment payment provisions provide valuable financing alternatives for Designated Entities, the 25% discount was the essential feature that enabled Designated Entities in the C Block auctions to attract equity investors. PersonalConnect believes that the 25% discount is the appropriate minimum incentive in order to mitigate the significant dilution that outside investors must accept in providing the Designated Entity sufficient equity ownership to comply with the Commission's rules. We also believe that the fact that prices for 10 MHz licenses will likely be lower than prices for 30 MHz licenses is not relevant, since the prices to be paid for 10 MHz licenses in urban areas, as well as for groups of licenses, will be in the millions of dollars, which will continue to necessitate the full 25% discount for Designated Entities to attract sufficient equity capital.

Without the 25% discount in the D and E blocks as well as in the F block, Designated Entities are unlikely to attract investors who would finance their bidding in those blocks. Additionally, failure to grant the 25% discount in all three blocks may cause the prices paid by Designated Entities in the F block to exceed prices paid by large telecommunications companies in the D and E blocks. Application of the 25% discount to all three blocks will insure that Designated Entities can follow a rational bidding strategy that seeks out the lowest price in any of the three blocks.

PersonalConnect, although a beneficiary of the present installment rules providing for a 10% down payment and interest only payments for six years, believes that these rules encourage undesirable speculation and risk-taking since only 10% of the winning bid (plus interest on the unpaid balance) needs to be paid for six years. Assuming that the 25% discount is retained, PersonalConnect believes that increasing the down payment to 25% and shortening the period for interest only payments to four years would dampen this speculation while still providing Designated Entities with the ability to obtain the necessary funds for construction and initial operation of their systems.

3. Limit Owners of CMRS Spectrum to a total of 35 MHz; Limit All Bidders in the D, E and F Blocks to a Single License of 10 MHz in each BTA.

Limits on the amount of spectrum that any company or group may own is clearly essential to achieve the statutory purposes of "avoiding excessive concentration of licenses" and promoting the "development and rapid deployment of new technologies, products and services."

Cellular carriers owning 25 MHz per market, in light of their conversion to digital technologies, extensive use of microcells and assuming efficient spectrum utilization, should not have any need for additional spectrum for mobile voice or data services. In fact, except in a few markets, such as New York and Los Angeles, 20 MHz is more than adequate. Providing cellular carriers with another 10 MHz should be more than sufficient for them to develop new technologies, such as local loop voice and data services. Likewise, winners of A, B and C block spectrum, with 30 MHz, have not shown any need for additional spectrum. The principal reasons for existing cellular and PCS carriers to obtain D, E and F licenses is the speculative warehousing of spectrum for possible long term uses and to block potential competitors, including Designated Entities, from obtaining spectrum.

Limiting bidders to purchasing a single 10 MHz license in each BTA would further help avoid excessive concentration of licenses. As a precedent, in the A and B auctions, the Commission limited bidders to a single license.

4. Permit Transfer of 5 MHz and Larger Blocks of Licenses Owned by Designated Entities to other Designated Entities during the First Three Years.

PersonalConnect believes that permitting transfers among Designated Entities of their C and F block licenses, as well as 5 MHz or larger blocks of spectrum covered by such licenses, would serve the public interest by encouraging the "development and rapid deployment" of new services and through the "efficient and intensive use" of the spectrum.

Owners of 30 MHz C block licenses may be unable to deploy networks in an expeditious manner due to their lack of adequate capital and operating expertise resulting in under utilization of spectrum resources. Moreover, it is unlikely even if Designated Entities deploy their networks effectively, that they will need all 30 MHz of their spectrum blocks during the next five to ten years. The most optimistic projections indicate that Designated Entities will not obtain sufficient customers in any markets to fully utilize more than their current 30 MHz.

Additionally, it is unlikely for the same reasons of capital and management constraints, that all Designated Entities will be able to develop and deploy new services, such as high speed data, that could use part of the 30 MHz. Such development and deployment would be accelerated by permitting the transfer of 5 MHz or greater blocks among Designated Entities so that some Designated Entities could concentrate on the development of various new services. PersonalConnect is

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aware of several developmental technologies requiring only 10 MHz of spectrum that would provide consumers with valuable new voice and data service offerings.

Restricting transfer of spectrum rights until Designated Entities fail to meet payments or buildout requirements will invite excessive litigation that may cripple the opportunity for Designated Entities to participate in spectrum based services and generally retard the development of new technologies.

Thank you for this opportunity to provide our comments.

Due to time constraints, these comments are being filed with a facsimile signature. An original signed copy will be filed with the Commission on April 16, 1996.

Sincerely,

PersonalConnect Communications, L.L.C.

By 
Tom A. Alberg, Chairman and CEO

cc: Chairman, Reed E. Hundt
Commissioner, Andrew C. Barrett
Commissioner, Rachelle B. Chong
Commissioner, Susan Ness
Commissioner, James H. Quello